

3. Senior Executives will Not be Required to Amend their existing Contracts
- Retain Change of Control Language
 - Honor contractual obligations
- ☐ Other Associate Compensation Issue
- Retention Bonus –67 Key Managers
 - Purpose is to maintain stability of Operations and to minimize risk of talent defection
 - One half to one times base salary based on position
 - Committee recommended increasing Sr. VP to 1.5 times base salary
 - Also recommended a retention bonus goes to CEO and EVPs if deal not concluded – 2.5 – 3.5 times salary
 - Paid after one full year beyond the date the transaction is abandoned

The committee confirmed previously reviewed items of Executive Compensation:

- ☐ Long Term Incentive Plan
- Deferred Accounts (30%)
 - Active Grants
 - Plan requires payout upon Change of Control
- ☐ SERP and Qualified Plan
- Earned over a period of years
 - Contractual obligation to pay upon Change of Control and Termination of Executive
- ☐ Change of Control
- Contractual Obligation
 - Pays out upon Termination in connection with a Change of Control
- ☐ Merger Incentive

Committee Recommended:

- Do not pay out milestone before closing
- Do not amend contracts
- Recognize a portion of incentive as a retention bonus if deal is not completed (2.5 – 3.5 times salary). Paid after one full year beyond the date the transaction is abandoned.



DRAFT COMPENSATION PRESENTATION

Strategic Planning and Finance Committee

July 16, 2001

DRAFT

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Retirement & Incentive Programs

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Plan		Comments
Retirement Program	7,700,000	Average loss to associate 25+%
Incentive Plan	<u>13,600,000 - 17,000,000</u> 21,300,000 - 24,700,000	Associate loss of 4% to 15% of pay

- ☐ Retirement Program Provides Significantly Less Benefits to Associates
- ☐ Incentives Not Provided Below the Director Level

Grandfather All Existing Associates in Current Retirement Program

Retain Incentive Program as Best Practice or Increase Base Pay

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Retention Bonus

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Title	Target Award	Percent Eligible	Eligible #	Total Payout
Senior Vice President	1.5	100%	8	\$ 2,895,000
Vice President	1.0	100%	23	\$ 3,877,000
Director	0.5	30%	36	\$ 1,697,000
			67	\$ 8,469,000

Invest in 60 - 70 Key Management Associates

- *Maintain Stability of Operations and Value of Company*
- *Provide Management Support for Transaction*
- *Minimize Risk of Talent Defection*

Paid Upon Closing or If Deal is Not Completed

(Include Contract Executives if Deal is Not Completed)



Long Term Incentive Plan (LTIP) **CareFirst**

Participants	#	Deferred Balances	Active Grants	Total Payout
Executives with Contracts*	8	\$ 3,604,398	\$10,970,340	\$ 14,574,738
Executives without Contracts	<u>9</u>	<u>\$ 1,076,949</u>	<u>\$ 3,493,283</u>	<u>\$ 4,570,232</u>
	17	\$ 4,681,347	\$14,463,623	\$ 19,144,970

Notes:

All amounts projected to April 1, 2003

LTI payout projected at \$185

* including CEO

The Plan Requires Payout Upon Change of Control (COC)

- ☐ *Deferred Accounts (30%) - Previously Earned from Prior Awards*
- ☐ *Active Grants (70%) - Currently in Progress*

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